Enclosure with the Supervisory Board Resolution of 9 March 2018

I. Supervisory Board's assessment of operations of ING Bank Śląski S.A. Group in 2017

2017 was a year of material economic revival. GDP growth accelerated from 2.7% y/y in Q4 2016 to 5% y/y in Q4 2017 (2017 full year growth of 4.6%). The growth was mainly driven by rising household consumption which was boosted by favourable conditions on the labour market and 500+ programme benefits. The impact of the latter proved stronger and more sustained than expected. Investment expenditures came back at significant levels only in H2 2017 and notably in Q4 2017 (up by 11.4% y/y vis-à-vis 3.3% y/y in Q3 2017). This was due to the finalisation of investment projects in the power sector and outlays on road and local government infrastructure. Corporate investment levels also rose in Q4, as evidenced by higher lending to business.

Results in the banking sector were also shaped by regulatory factors. The monetary policy of the National Bank of Poland went unchanged. Interest rates were cut back to a record low levels for the last time in March 2015 (reference rate and lombard rate to 1.5% and 2.5% respectively). Since 2017 banks have been paying contributions to the Bank Guarantee Fund under new rules laid down in the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Compulsory Resolution. With this Act, the EU Deposit Guarantee Schemes Directive and the Bank Recovery and Resolution Directive have been transposed into the Polish legal system. On 22 July 2017, the Act on mortgage loans and supervision of mortgage brokers and agents became effective. The law introduces terms and procedures for the conclusion of real estate loan-financed purchases. Since December 2017 the regulation of the Minister for Economic Development and Finance which changed the risk weights for retail mortgage loans has been effective. As a consequence, the capital adequacy of individual banks was diversely affected.

In 2017, the ING Bank Śląski S.A. Group achieved net profit of PLN 1,403.1 million compared to PLN 1,253.0 million in 2016 (up by 12.0%). The increase was driven by rising levels of revenue. In 2017, the Group's income totalled PLN 4,755.9 million compared to PLN 4,324.5 million a year earlier (up by 10.0%). This was primarily triggered by higher net interest income (up by 16.9% y/y) following higher commercial volumes and an improved interest margin. Net commission income rose by 11.1%, mainly due to higher income on FX transaction spreads.

However, dynamic incomegrowth was partially offset by:

- an increase in operating expenses. The costs of the Bank Group went up by 1.1% y/y to PLN 2,122.6 million due to higher general and administrative expenses driven by higher IT costs.
- a higher level of loan loss provisions. Net provisioning levels rose by PLN 120.6 million (by 40.1%) to PLN 421.2 million primarily as a consequence of relatively higher corporate impairment losses. Provisioning levels were also driven up as a result of overall portfolio growth. As was the case in the prior year provisioning levels were influenced by sales of receivables and this resulted in provisions being redyced by PLN 47.1 million compared to a reduction of PLN 51.1 million in 2016. Loan loss provisions amounted to 0.50% of the gross loan receivables balance (2016: 0.40%). The quality of the lending portfolio remains high. Impaired loans represented 2.8% of year-end gross loan receivables. Provision is made for 57.1% of impaired balances.
- higher bank levy costs. In 2017, the Group paid the tax on certain financial institutions (the so-called bank levy) which was PLN 49.9 million higher than in 2016. This was in some measure due to the fact that the levy (based on certain asset values) was paid for a full year whereas in 2016 it was due for only eleven months. The balance of the increase derived from higher asset levels that were the normal consequence of higher business levels.

The Supervisory Board oversees the Company's operations, maintaining a watching brief over the Bank's adherence to relevant regulations in the area of accounting, finance and public company reporting requirements. The duties of the Supervisory Board also include supervision of the individual risk management processes at ING Bank Śląski S.A. with the support of the Risk Committee and the Audit Committee. Based on the recommendations of the aforesaid Committees, the Supervisory Board accepts and approves the business risk management strategy of the Bank, the key principles of the policy and the related risk appetite. Further, the Supervisory Board monitors the utilisation of internal limits vis-à-vis the current strategy of the Bank.

The Risk Committee has been operative at the Bank since 2016. It supports the Supervisory Board in monitoring the risk management process, including operational risk, credit risk and market risk. The Risk Committee supervises the risk management process and the assessment of internal capital, capital adequacy, and of the risk of capital-related models and other models. The Committee voices its opinion about the overall readiness of the Bank to assume on a current and long term perspective.

Monitoring of the financial reporting process is among the tasks of the Audit Committee. In this context, the Audit Committee periodically analyses the Bank financial statements and the results of their audit. Further, the Chairman of the Audit Committee – who is the Chairman of the Supervisory Board and an independent member of the Board at the same time – holds periodic meetings with the Chief Financial Officer in which the Chairman is updated on the interim financial results of the Bank prior to their publication. The Audit Committee also analyses the performance of the Bank's statutory auditor while also monitoring the auditor's independence and effectiveness. Furthermore, the Audit Committee monitors the effectiveness of internal control and internal audit, and also assesses the effectiveness of measures used to mitigate compliance risk and the quality of compliance risk management.

A Remuneration and Nomination Committee also operates within the Supervisory Board. It monitors *inter alia* the situation of the labour market in the context of salaries, the employee turnover process, and also staff satisfaction survey results. The Committee regularly monitors the remuneration system of the Bank, including the payroll and bonus policy. In 2017, the Committee also assessed the suitability of Management Board and Supervisory Board members, based on a suitability assessment carried out by a third party.

In the opinion of the Supervisory Board, the risk management system at ING Bank Śląski S.A. Group covers all material risks. In identifying, measuring, managing and reporting risk, the Bank applies methodologies appropriate from each identified risk category. In 2017, ING Bank Śląski S.A. satisfied all the requirements of sound business operations and the maintenance of appropriate capital adequacy, and in particular:

- pursued prudent lending policies. The lending processes and procedures applied by the Bank were compliant with the regulatory requirements and best practices on the market. In 2017, the Bank took account of the economic situation in its lending policy and applied more restrictive procedures towards sectors characterised by increased risk. The Bank's lending portfolio was diversified with a significant share of high-quality lending to business entities. Within the Group, impaired credit receivables represented 2.8% of total gross exposures, which is significantly lower than the average for the entire banking sector (6%),
- has systems and procedures in market risk management area (for interest rate or currency risk, among others) that meet the top market standards. Throughout 2017, individual market risk categories were managed actively so that their levels were within the agreed limits effective at the Bank. The balance sheet structure is balanced from a currency perspective; a distinctive feature is the low share of FX receivables in the total mortgage receivables,
- maintained good liquidity. As at 2017 yearend, the LTD ratio was 83.8%. The sound liquidity position of the Group is attributable to one of the largest (and still growing) stable household deposits base on the Polish banking market,
- had a high level of equity. In December 2017, the total capital ratio of the ING Bank Śląski S.A. Group was 16.7%, while the Tier 1 ratio stood at 15.8%.

Internal audit and compliance risk management procedures operating at the Bank effectively secure its operations against unexpected developments in lending, market risk, liquidity and capital adequacy.

The expected high economic growth in 2018, driven by higher investment intentions and stable, low interest rates may generate increased demand for credit, particularly in the corporate sector. This in turn may put capital adequacy ratios under pressure with the result that loan supply may be adversely affected. Consequently, the Supervisory Board is of the view that the Bank should continue to focus on the enhancing security while developing further the competitiveness of products and quality of customer experience, such as:

- adequate capital management in order to ensure safe lending growth and fulfilment of all present and future regulatory requirements,
- further development of the product offer and electronic distribution channels. In stiff competition, it is possible to increase revenues by expanding the customer base and increasing loyalty of the current customers. Such an approach boosts customer balances and transactions volumes,
- increasing lending capabilities, while being prudent when assessing customer risk. This will assist in the maintaining of the high quality of the portfolio and boost net interest income.
- maintenance of adequate, stable deposits. This will ensure the liquidity necessary to expand lending activities,
- further increasing cost of effectiveness while maintaining high quality processes, through the optimal use of existing resources and the benefits of increased scale of operations.

In the opinion of the Supervisory Board, the strategy pursued by the Bank over the last few years to increase the scale of its operations has proven to be successful. This is reflected in the Group's financial and commercial results. The success of the strategy to date justifies the Bank's intention to continue with it 2018 while ensuring adequate levels of capital.